

Do Not Overlook the So-called "Nanny Tax"

As you review your filing requirements for 2013, make sure you do not overlook the so-called "nanny tax." If you have a household employee, you could be liable to pay state and federal payroll taxes.

First, you must determine whether you have a household employee. Generally, this is someone you hire to work in or around your house. It could be a babysitter, nurse, maid, housekeeper, or gardener. It doesn't matter whether they work part-time or full-time, or whether you pay them hourly, weekly, or by the job.

But not everyone who works around your house is an employee. For example, if a lawn service sends someone to cut your grass each week, that person is not your employee. As a general rule, workers who bring their own tools, do work for multiple customers, or control when and how they do the work, are not your household employees.

If you have a household employee, you'll generally be responsible for 2013 payroll taxes if you paid that individual more than \$1,800 last year. However, federal unemployment tax kicks in if you pay more than \$1,000 to all domestic employees in any quarter.

It's not always easy to tell whether you have a household employee, or whether exceptions apply. If in doubt, don't hesitate to contact our office.
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